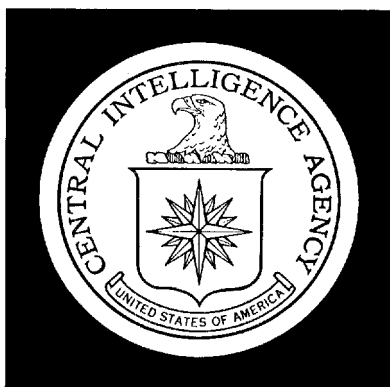


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State Department review completed

8 September 1970

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No. 0215/70
8 September 1970

Central Intelligence Bulletin

CONTENTS

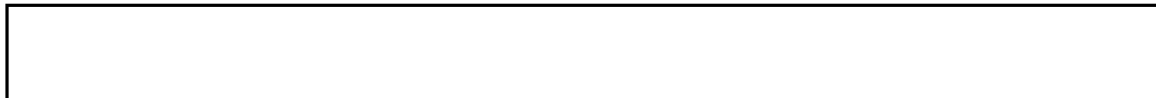
Arab States - Israel: Fedayeen hijackers still hold two aircraft and some 180 passengers. (Page 1)

Cambodia: There were scattered harassing attacks but no major new actions over the weekend. (Page 3)

Thailand: The government has completed a successful counterinsurgency operation in the north. (Page 5)

Japan: The head of the Defense Agency has offered reassurances on Tokyo's nuclear intentions. (Page 6)

Japan: The steel industry has moved to increase imports of coking coal from Communist countries. (Page 7)

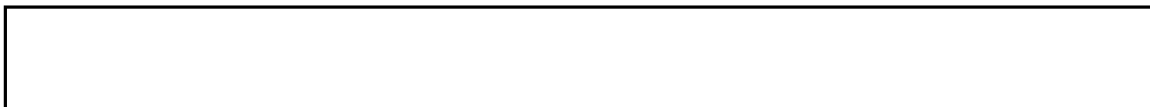


25X1

OAU: The African summit has condemned the UK, France, and West Germany for arms sales to South Africa. (Page 9)

Romania-Chile: A recent agreement provides for jointly owned facilities in both countries. (Page 10)

Chile: Allende's victory is likely to keep the country in a prolonged state of tension. (Page 11)



25X1

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C Arab States - Israel: Fedayeen hijackers continue to hold two aircraft and some 180 passengers as tensions mount in the Middle East.

Demanding the release by late Wednesday of fedayeen held by authorities in West Germany, Switzerland, the UK, and Israel, the Popular Front for the Liberation of Palestine (PFLP) is threatening to blow up Swissair and TWA aircraft and passengers now being held in Jordan. A Pan Am 747, also hijacked by the PFLP, was blown up after its passengers were evacuated in Cairo Sunday night. Swiss, West German, British, and US officials are attempting to work out details for a possible prisoner, passenger, and plane exchange.

Tel Aviv's attitude toward the release of Israeli-held commandos--they may number as high as 2,000--is not yet clear. The US Embassy, however, believes Tel Aviv may ultimately agree to the release of some and even attempt to broaden the exchange to other Israeli prisoners held in Arab countries.

In Jordan, new shooting incidents threaten the latest attempt to ease the tensions between the government and the fedayeen. King Husayn's ability to control the situation is being questioned by the US Embassy. The embassy believes that the PFLP has once again upstaged the more moderate Fatah group, which this time has found it expedient to congratulate the PFLP for its hijacking successes.

The situation along the Suez Canal has remained quiet, but Tel Aviv has withdrawn from the Jarring talks. Israeli Ambassador to the UN Tekoah has returned to New York, but there seems virtually no chance that substantive talks on the questions of peace will begin soon. Both Israeli Prime Minister Meir and Foreign Minister Eban are scheduled to visit the US next week.

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CAMBODIA: Current Situation



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Cambodia: Communist forces carried out scattered harassing attacks against government defensive positions in several areas over the weekend, but no major new enemy actions were reported.

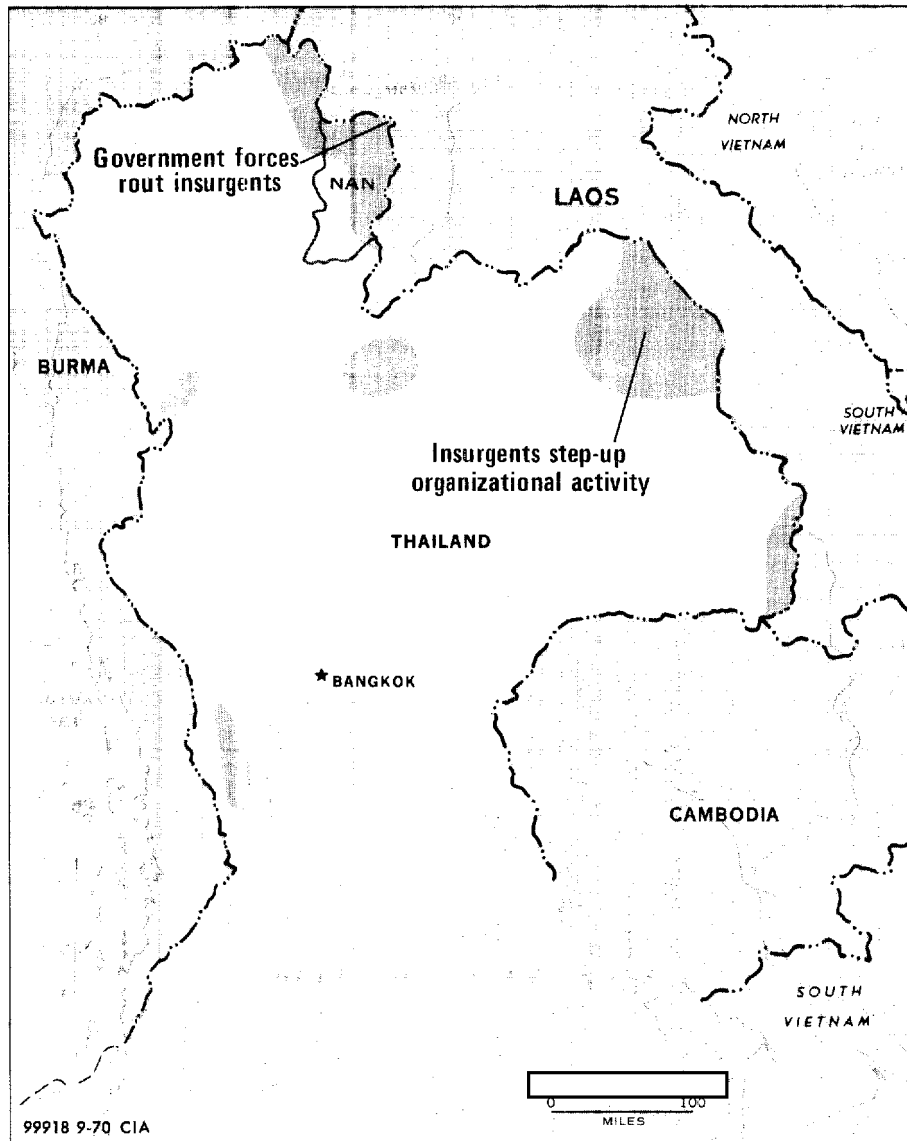
Enemy troops maintained pressure on the town of Saang, attacking a nearby village yesterday and burning several bridges in the area. The Cambodian Army continues to report sizable numbers of Communist troops near Saang, and also to the west near the towns of Tram Khnar and Srang.

Light enemy attacks were also reported on government positions near the cities of Siem Reap, Svay Rieng, Takeo, and Kompong Speu during the weekend, but few casualties resulted.

Meanwhile, elements of a newly formed task force were to proceed north to Skoun on Route 6 yesterday, in the first stage of an effort to open that road all the way to Kompong Thom.

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Area of insurgent activity

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Thailand: Bangkok has dealt a blow to insurgents in the north, but in the northeast the Communists are making further headway in rebuilding their organization.

In one of the most successful counterinsurgency operations ever launched by government forces in the north, a 450-man Thai Army task force conducted a series of raids from 16 to 25 August against the principal insurgent stronghold area in northern Nan Province along the Thai-Lao border. The well-coordinated operation [REDACTED]

[REDACTED] took the insurgents completely by surprise. Fourteen enemy cadre were captured and several others were killed without significant loss to government forces.

The operation should help boost Thai morale in an area where the insurgents had enjoyed consistent tactical successes, and where the government has been at a loss to develop a coherent strategy. The insurgency in the north continues to spread, however. Small enemy units have recently been spotted farther from the Lao border than heretofore, and it will take a good deal more than one success to rectify the situation.

In the northeast, the insurgent movement is continuing to rebound from the losses it suffered two years ago. The Communists have maintained a level of activity there that has been markedly higher this rainy season than last. Most of this increased activity has been organizational rather than military in nature, with the Communists seeking to strengthen their support base and extend their writ into new areas of the interior.

[REDACTED]

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Japan: Yasuhiro Nakasone, the controversial head of the Japan Defense Agency, sought to reassure the US about his views on Japan's nuclear intentions before his visit to the US this week.

In comments to his party faction that were obviously leaked to the press, he cautioned that development of nuclear weapons would spark a nuclear arms race with Communist China and result in criticism of Japanese "militarism" from other Asians. According to press reports, Nakasone implied that it would be easier for Japan to stick to a non-nuclear policy if the US and the USSR established a mechanism for the international control of nuclear weapons.

Tokyo has been very sensitive to "uneasiness" in the US and elsewhere over Japan's commitment to a non-nuclear defense policy, in part because of past statements by Nakasone on the need for Japan to adopt a more independent, possibly nuclear, defense posture. Since becoming head of the Defense Agency, Nakasone has toned down his public statements because of pressure from Prime Minister Sato and also because of his own strong prime ministerial ambitions.

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Japan: The Japanese steel industry has recently moved to increase its imports of much-needed coking coal from Communist countries.

Three Japanese companies will provide Poland with \$100 million in credits for the purchase of Japanese capital goods. In return, Japan will begin in 1974 to import 2 to 3 million tons of Polish coking coal annually. This is more than double the current level of coal imports from Poland.

In late August, four Japanese steel companies sent a team to survey the Soviet Union's Yakutsk coal fields. Conclusion of a contract, which may include large Japanese credits for equipment to develop the field, will depend on the results of the survey and a trial shipment of the coal. If imports from this field should reach the tentatively planned level of 2 million tons annually, Japan's total imports of coking coal from the USSR would rise to 5 million tons.

Japan's imports of coking coal from all sources are projected at more than 50 million tons by 1975. These new agreements could provide about ten percent of this.

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Approved For Release 2004/03/17 : CIA-RDP79T00975A017100030001-8

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OAU: The yearly meeting of the Organization of African Unity (OAU) ended ahead of schedule in Addis Ababa last week, and a number of the delegations immediately began moving to Lusaka for the nonaligned conference.

A major event at this seventh annual session was the reconciliation of Nigeria with the four African governments--Tanzania, Zambia, Gabon, Ivory Coast--that supported Biafra during the civil war. On the issue of actual or intended arms sales to South Africa, a major item on the agenda, the heads of state specifically condemned the UK, France, and West Germany, despite intense lobbying by Paris with help from some francophile African delegations.

The OAU plans to mount a campaign to deter these countries from dealing with South Africa. It authorized Zambian President Kaunda to head a five-man delegation to approach the governments concerned. The OAU also hopes to assist the African liberation movements in Angola and Mozambique by applying pressure on those countries that sell arms to Portugal. Although it is not entirely clear how or when the delegation will attempt to carry out its mandate, the move itself appears unlikely to bear significant results.

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Romania-Chile: Romania may be the first Warsaw Pact country to permit Western minority ownership of manufacturing facilities on its territory.

According to press reports, the Romanian deputy minister of mining and geology signed an agreement in Santiago on 2 September providing for the establishment of jointly owned copper processing facilities in both countries. In Chile, the company will be 51 percent owned by the Chilean Government and 49 percent by Romania. Its counterpart in Romania reportedly will be 51 percent owned by Bucharest and 49 percent by Chile.

Chile will provide 35-40,000 tons of copper annually to be processed and sold by Romania. It is not known, however, if Chile will be permitted to repatriate its share of profits in hard currency or will instead receive manufactured products. The two countries previously had agreed to form a joint company in Chile for exploration and exploitation of copper and other mineral deposits.

In typical coproduction ventures concluded heretofore between East European countries and Western commercial firms, the Western partner provided only the equipment, licenses, and know-how, but received no equity. The East European partner generally supplied the plant, labor, and raw materials, but retained ownership. Other joint firms have involved Western ownership, but these have always been located in Western countries. [REDACTED]

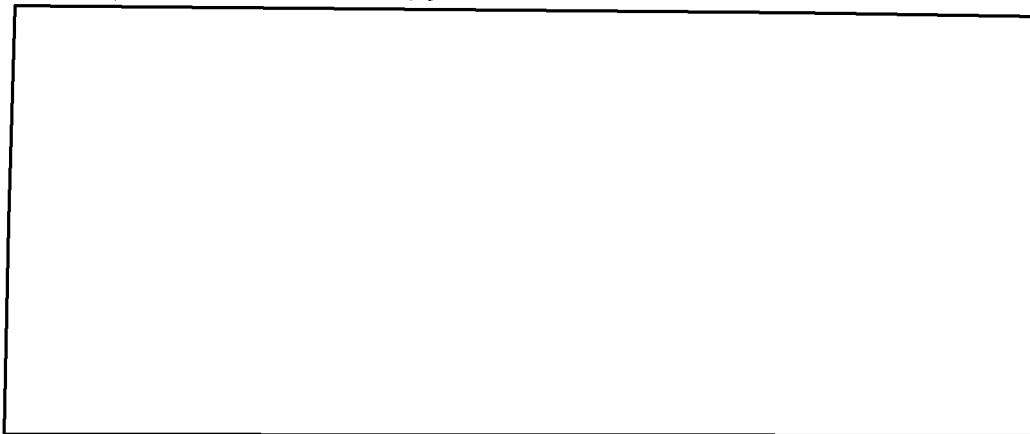
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Chile: Marxist Salvador Allende's slim lead in Friday's presidential election has set off reactions that will keep Chile in a prolonged state of tension.

Some of runner-up Jorge Alessandri's backers are pressing their objections to Allende in street disturbances. Others are calling for Congress to exercise its prerogative on 24 October to ignore the election results.



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Central Intelligence Bulletin

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